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1959 AGRICULTURAL FINANCE OUTLOOK

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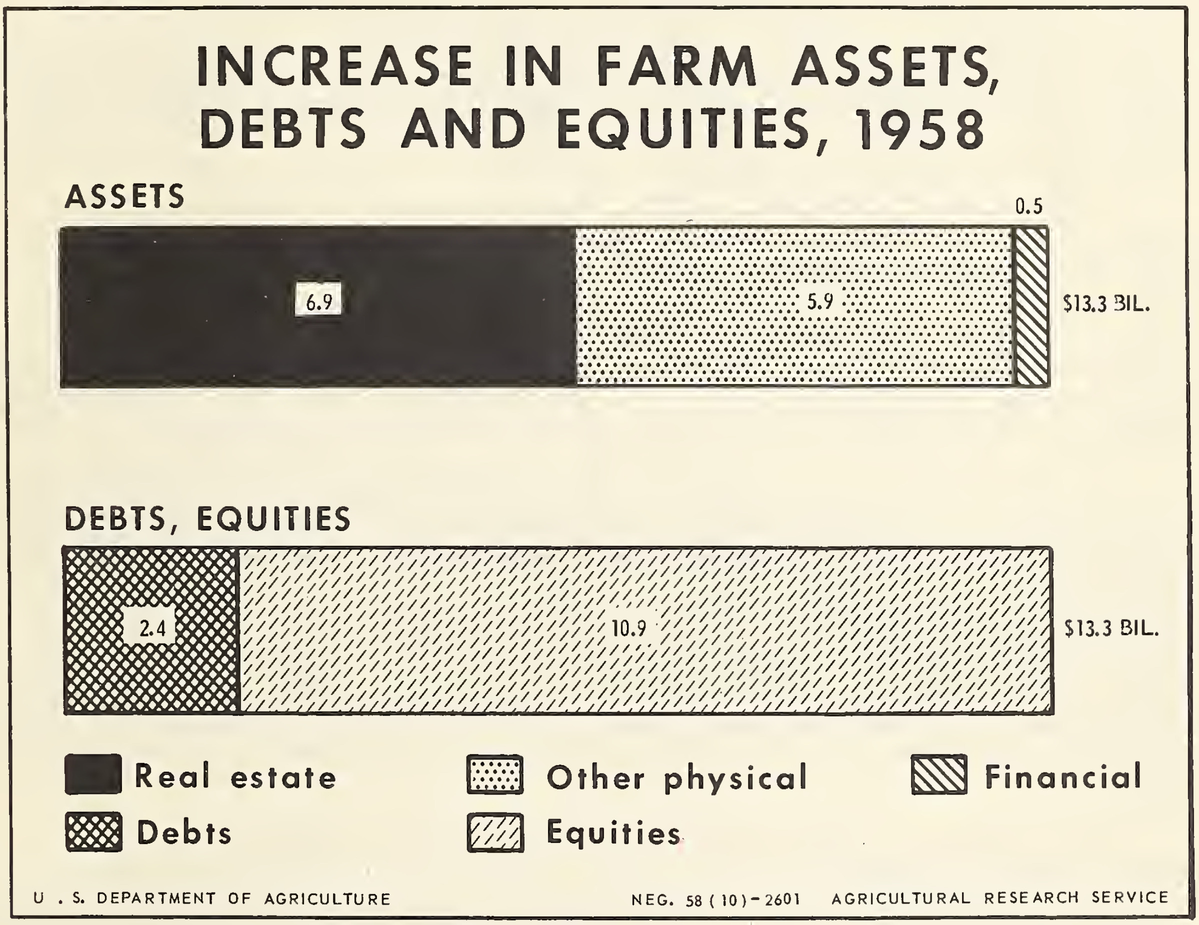


1959 AGRICULTURAL FINANCE OUTLOOK 1/

Approved by Outlook and Situation Board, November 12, 1958

1959 CREDIT AND FINANCIAL OUTLOOK FOR FARMERS

On the whole, farmers will enter 1959 in an improved credit and financial position as compared with a year earlier. The total value of assets in the agricultural industry will reach about $200 billion by January 1, 1959, up 7 percent from a year earlier (table 1). Equities of farmers and other owners of agricultural property will be approximately $177 billion, up 6 1/2 percent from a year earlier. These improvements are the result of the higher income that farmers received in 1958, the further rise in farm real estate values, and the larger inventories of crops, machinery, and livestock that farmers will have at the beginning of 1959.

The value of farm real estate, which accounts for more than three-fifths of all farm assets, may increase in 1959 as much as it did in 1958 when the rise was 6 percent. Most of the forces behind the rise in prices of farm real estate since the upturn in 1954 will still be present. Carryover effects of higher farm income in 1958 and continued recovery of the general economy are likely to give additional impetus to the rise through the coming winter and early spring of 1959. But the trend may lose some of its momentum in the last half of the year if farm income declines as expected.

Farmers will have slightly larger financial reserves of cash, bank deposits, and U. S. savings bonds at the start of 1959. However, instead of adding to their financial savings, many farmers have been spending more for family living and investing more in the farm business. Replacement of farm machinery, improvements to buildings, and purchases for the home have been at higher levels this fall and will probably continue so into early 1959 at least. Reinvestment of 1958 receipts in feeder and stocker cattle has been substantial, especially in the Corn Belt, Great Plains, and Mountain regions. Inventories of many crops are expected to be at record levels on January 1, 1959.

1/ In preparing this report, the Farm Economics Research Division, ARS, has had the benefit of information received during late September and October from the district Farm Credit banks, the State offices of the Farmers Home Administration, the agricultural economists of the Federal Reserve banks, and the farm mortgage departments of several life insurance companies in various parts of the United States. Survey information from more than 1,100 banks was summarized and made available by the Agricultural Commission of the American Bankers Association. Special surveys in 25 selected counties, covering different types of farming and farm conditions, were made by fieldmen of the Division. In these counties, 343 farmers and ranchers, 147 bankers and lenders, and 136 merchants and dealers were interviewed.

Table 1.- Balance sheet of agriculture, January 1, 1958, and estimate for January 1, 1959

Item	January 1, 1958	Estimate for: January 1, 1959	Percentage change
	Billion dollars	Billion dollars	Percent
ASSETS			
Physical assets:			
Real estate	116.3	123.2	+5.9
Non-real-estate	52.2	58.1	+11.3
Financial assets	18.2	18.7	+2.7
Total	186.7	200.0	+7.1
CLAIMS			
Liabilities:			
Real estate debt	10.5	11.2	+6.7
Non-real-estate debt to:			
Commodity Credit Corporation	1.2	2.3	+91.7
Other reporting and nonreporting institutions	8.5	9.1	+7.1
Total	20.2	22.6	+11.9
Equities	166.5	177.4	+6.5

Farmers stepped up their use of production credit in 1958, and they will probably use even more in 1959. Demand for farm-mortgage credit, which has been relatively low during the last 2 years, increased somewhat since mid-1958 and may continue to increase in 1959. The aggregate supply of lenders' funds available to agriculture is expected to be as large in 1959 as in 1958 and most farmers will be able to get the amounts they need. As usual, those with low incomes and small equities will have most difficulty with their financing. Interest rates have strengthened since midyear and may increase further in 1959.

Although total farm debt has increased, many farmers and ranchers will be in better financial condition in 1959 because of recent good pay-offs of both 1958 loans and debts accumulated from earlier years. Catching up on debts was particularly important in the former drought areas of the Great

Plains and Mountain regions. In parts of the Northeast and Southeast that suffered from drought or excessive rain in 1957, debts will also be in a much more current condition at the beginning of 1959 than they were at the beginning of 1958. Farm foreclosures will continue to be negligible.

Taxes payable on farm real and personal property will increase about 5 percent in 1959 to a total of $1,345 million. Payments on real estate are expected to amount to $1,105 million, while those on personal property such as livestock, farm machinery, automobiles, and household furnishings will approximate $240 million. Federal income tax payments in the next year may be up about a fourth, because of the gain in 1958 farm income. The average payment per taxpayer will increase a little more than the overall increase. With a larger net income distributed among fewer individuals, more will have incomes in the higher tax brackets. Several new tax provisions are expected to ease the income tax load on some farmers, but nevertheless total payments are likely to rise to about $1 1/4 billion. Other taxes paid by farmers are also expected to increase in 1959.

Fewer areas of the country than usual will enter 1959 with serious financial problems. Only limited sections of the Lake States, Corn Belt, Northern Plains, and Mountain regions had poor crop seasons. Cotton farmers in the Mississippi Delta may face large debt carryovers and heavy drains on their financial reserves because of the second consecutive year of excessive rain. Many vegetable growers will be in a relatively poor financial condition at the beginning of 1959 because of low prices or low production in 1958. In these areas where conditions have been relatively unfavorable, more farmers may have to depend on the Farmers Home Administration and on merchants and dealers for necessary financing in 1959.

The smaller and less efficient farms continue to have a difficult time despite some improvement. The movement out of farming and the enlargement of remaining farms is continuing. In such areas as the Appalachian and Southeastern regions, those who depend on supplemental income from nonfarm sources may have more favorable prospects for part-time employment in industry in early 1959.

GENERAL FINANCIAL AND CREDIT SITUATION OF FARMERS IN 1958

During 1958, excellent crop and pasture conditions were widespread, and some prices, especially for livestock, have been more favorable than in 1957 (fig. 1). Total costs were higher than in 1957 but because of lower cost per unit of production, the "cost-price squeeze" was eased.

A nationwide survey made in the fall of 1958 reveals that the general financial situation of farmers is substantially better than a year ago. Much of the improvement is in the form of larger inventories of crops and livestock and many farmers have bought new equipment, improved buildings and made other capital investments. Further increases in farm real estate prices have also added to the value of their assets. Financial reserves increased in most areas. Total debts rose in 1958 but not as much as the value of farm assets

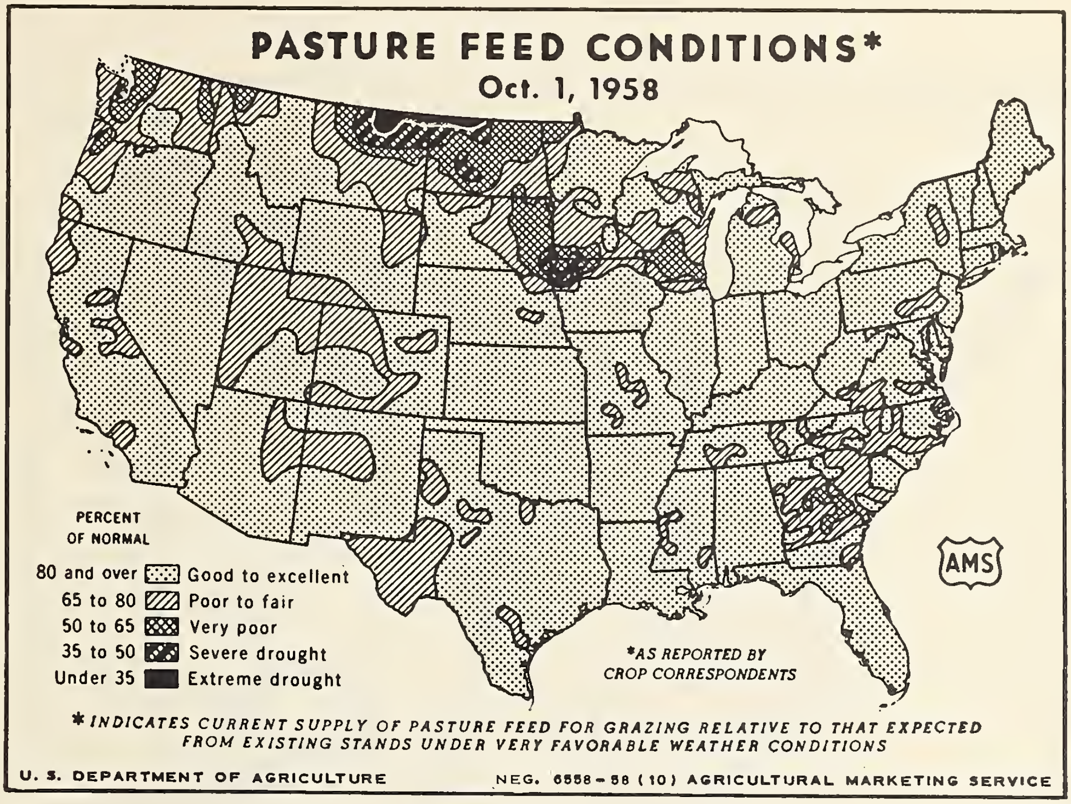
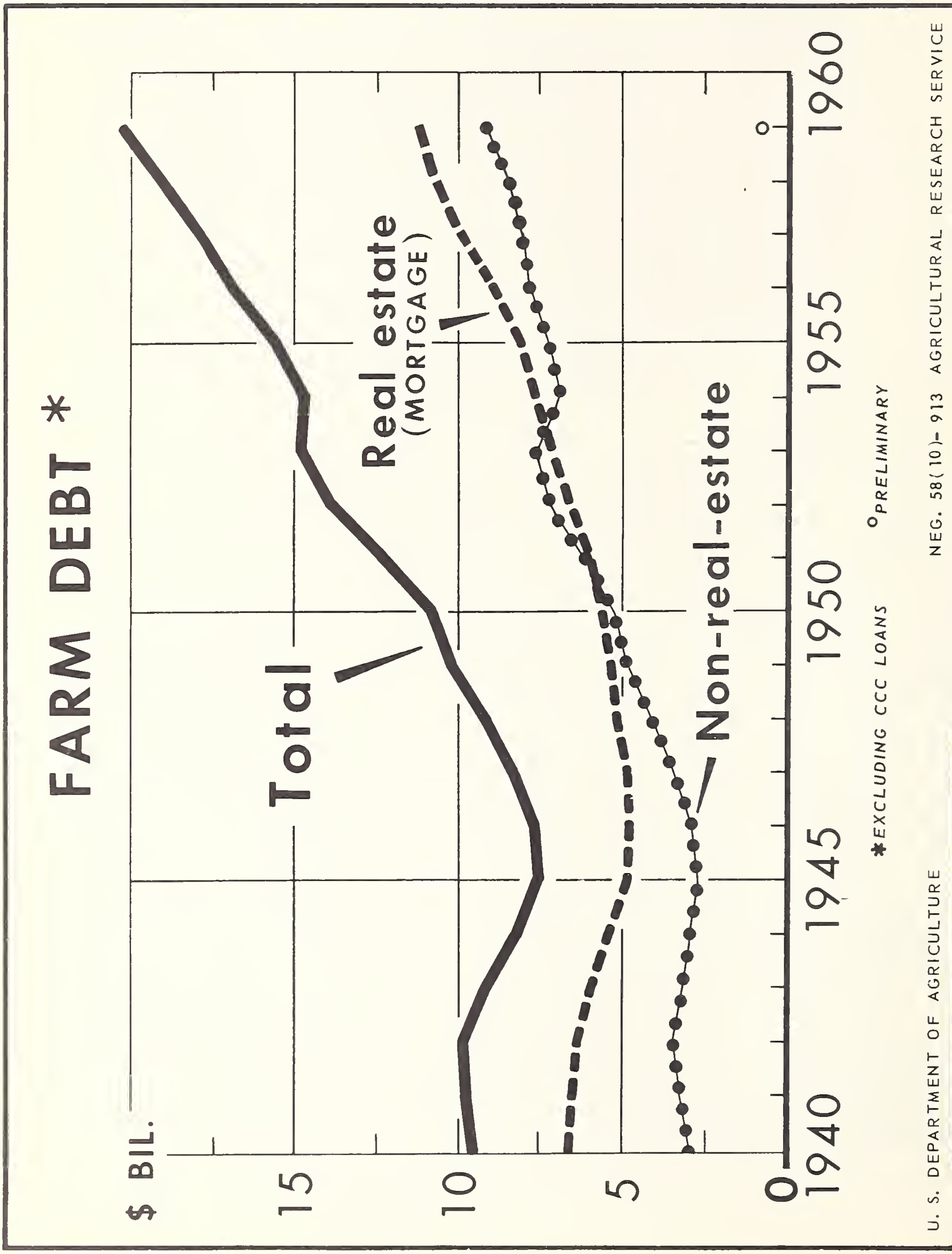


Figure 1

(figs. 2 and 3). Much debt that had been accumulated during earlier less favorable years was repaid. For most farm families, better incomes have meant a higher level of living, as well as an improved credit and financial position.

Of the 343 farmers interviewed in 25 counties in various parts of the country, 52 percent reported that their financial condition was better than a year ago. About 30 percent reported that their financial condition had not changed; only 18 percent said their condition was worse than a year ago. Areas in which a majority of farmers interviewed indicated that conditions had worsened included several counties in the East in which fruits and vegetables were produced. Other counties with a relatively large proportion of farmers who indicated poorer conditions included Grainger County, Tenn., an area of small-scale farms; Mecosta County, Mich., a dairy and cash crop area affected by drought; and Mississippi County, Ark., a cotton area experiencing unfavorable weather for the second successive year. In the survey counties in which cattle or hogs were produced, practically all farmers and ranchers said their financial condition was as good or better than last year. Improved conditions also were widespread in the tobacco county in North Carolina, cotton and peanut counties in the Southeast, and wheat counties throughout the Great Plains.



FARM DEBT *
$ BIL.
15
10
5
0
1940
1945
1950
1955
1960
Total
Real estate
(MORTGAGE)
Non-real-estate
*EXCLUDING CCC LOANS
○PRELIMINARY
U. S. DEPARTMENT OF AGRICULTURE
NEG. 58(10)-913 AGRICULTURAL RESEARCH SERVICE

Figure 2

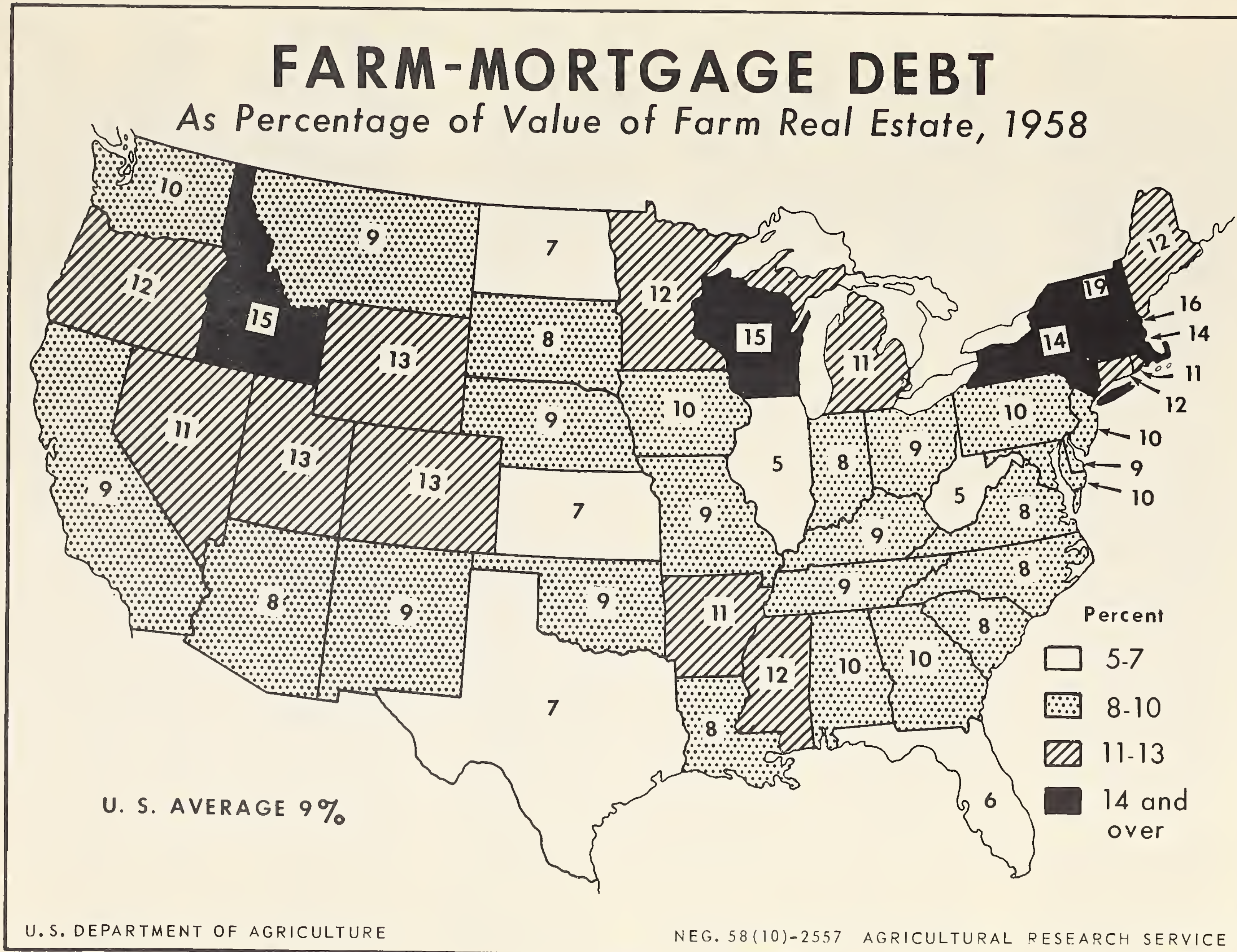

FARM-MORTGAGE DEBT
As Percentage of Value of Farm Real Estate, 1958
Percent
5-7
8-10
11-13
14 and over
U. S. AVERAGE 9%
U.S. DEPARTMENT OF AGRICULTURE
NEG. 58(10)-2557 AGRICULTURAL RESEARCH SERVICE

Figure 3

Farm Real Estate

Market values of farm real estate advanced an average of 3 percent in the 4 months ended November 1, 1958, to raise the national index to 163 (1947-49=100). This was 6 percent above a year earlier and 23 percent above the previous peak in July 1952. Average values reached new highs in all States except South Dakota. In that State, values in November were still 20 percent below the 1920 peak. The total market value of land and buildings as of November 1, 1958, was estimated at $121.5 billion and is expected to reach at least $123 billion by March 1, 1959.

Although the 6-percent rise in the year ended November 1, 1958, was a little less than in the preceding 12 months, it was the second largest increase for a similar period since November 1951 when the Korean outbreak sparked a near-record advance of 14 percent in a 12-month period. In the latest 12 months, values increased 3 percent or more in all States and exceeded 5 percent in 31 States. Largest gains occurred in the Northern Plains States, and in New England, Florida, and California. Excellent crop conditions in the first group of States following several years of drought and continuing demand for land for nonfarm purposes in the latter areas appear to be the primary factors responsible. Increases in the Corn Belt continue to be moderate, but the total increases in these States during the last several years have been fully as large as elsewhere. Values in this area were sustained or continued to increase in 1952-53, whereas most other parts of the country showed small declines.

Nationally, the proportion of all purchases of farmland in 1957-58 that were credit-financed remained at 67 percent, the same as in the previous year. The amount borrowed as a percentage of the purchase price increased only slightly, from 63 to 64 percent. Sellers, chiefly individuals, continue to be the most important source of new credit to finance the purchase of farmland. Commercial banks were the second most important source, followed by insurance companies, Federal land banks, and individuals other than the seller.

Purchase contracts have come into wider use as a means of financing the purchase of land in recent years. A purchase contract differs from mortgage financing in that title to the property remains with the seller until all payments under the contract are made, or until a specified percentage of the purchase price has been paid. Contracts make it possible for buyers who cannot qualify for conventional mortgage-financing to acquire land. They also offer tax advantages to sellers. Downpayments of less than 30 percent are required to qualify for special treatment under the capital gains tax.

About 20 percent of all land purchases in 1957-58 were financed by contracts. This was about double the proportion in 1946. Currently, contract purchases are most common in the Lake and Mountain States, although their numbers have increased in most areas of the country except the Southeast (fig. 4).

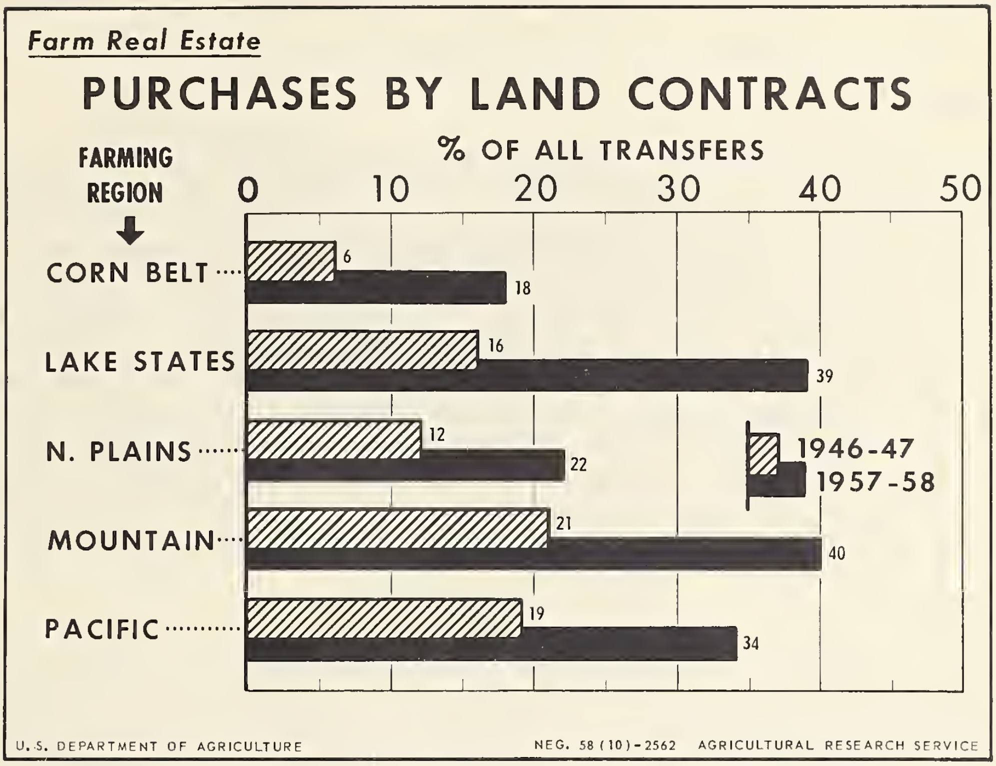


Figure 4

Financial Assets

In general, during 1958 the financial assets of farmers increased. A survey of more than 1,100 rural bankers made in September by the American Bankers Association suggests that at that time farm deposits were about 6 percent larger than a year earlier. Increases in the Northeast averaged only 2 percent, whereas in the Midwestern regions the average was 8 percent. For the rest of the country, deposits of farmers rose 5 percent on the average. Of the bankers who replied to the survey, 60 percent reported that farmers' deposits had increased; 31 percent reported no change in deposits, and only 9 percent indicated a decline in deposits for farmers. Much of the increase in bank deposits is in savings accounts, indicating that the funds may be kept for longer run uses.

Farmers also increased their holdings of United States savings bonds during 1958. During the first half of 1958, purchases in a sample of some 600 rural counties were about 13 percent larger than during the first half of 1957. Largest increases occurred in the Great Plains.

Farmers' expenditures are high this fall and, in some instances, liquid financial assets will be reduced before the end of the year. Nevertheless, by January 1, holdings of cash, bank deposits, and U. S. savings bonds were

estimated to be $0.3 billion, or 2 percent, larger than at the beginning of 1958.

Farmer Expenditures

The generally improved financial position of farmers has encouraged increased expenditures for farm capital items. Farmers are spending more for new, larger, and more up-to-date machinery than they did in 1957. Much has been spent to place older machinery and equipment in good mechanical condition. More building improvements are being made, especially in areas where farm income has increased substantially. In parts of the Midwest, a large amount of grain storage is reported to be under construction. Investment in feeder and stocker cattle has been large, particularly in the Corn Belt, Great Plains, and Mountain regions. In addition to productive improvements, farmers have been able to buy more for the household. Some areas such as those that suffered several years of drought after 1950 still have some way to go in catching up on their inventory and capital needs. Despite some improvement in 1958, spending by many small farmers remains very low.

Credit and Debt

Farmers stepped up their use of production credit in 1958. Higher costs of production and increased investment in machinery and farm improvements are reasons for the use of more production credit by farmers generally. The greatest increases in production credit occurred in the western Corn Belt, Northern Plains, and Mountain States (fig. 5). At mid-1958, numbers of cattle on feed were far above year-earlier levels in Plains States and western parts of the Corn Belt. In these regions, strong demands and resulting high prices for feeder cattle created exceptionally large demands for cattle loans. The holding back of calves and cows on the ranges and purchases for restocking purposes, increased the credit requirements of ranchers.

High returns from cattle and hogs, and the bumper wheat crop, have resulted in excellent pay-offs of production loans thus far this year, and prospects for repayment are good in most areas for loans that will mature later this fall. Many farmers and ranchers in the Plains States have been able to clear up debts that had accumulated during the drought years. Many southeastern cotton farmers, who carried considerable amounts of last year's debts into the current year because of the late harvest and poor quality of the 1957 crop, will be able to liquidate their carryover debts this fall. However, because of adverse weather, cotton growers in the Mississippi Delta had difficulty in planting their crops last spring and their crops were damaged to some extent this fall. In the Delta areas, carryover debts may again be large this fall. For the country as a whole, the Farmers Home Administration reports that fewer counties are designated for emergency loans this fall than at any other time in the last 10 years.

The September survey conducted by the American Bankers Association indicated that delinquencies of farm loans made by banks were lower at that time than a year earlier, and that bankers expected that carryovers of production

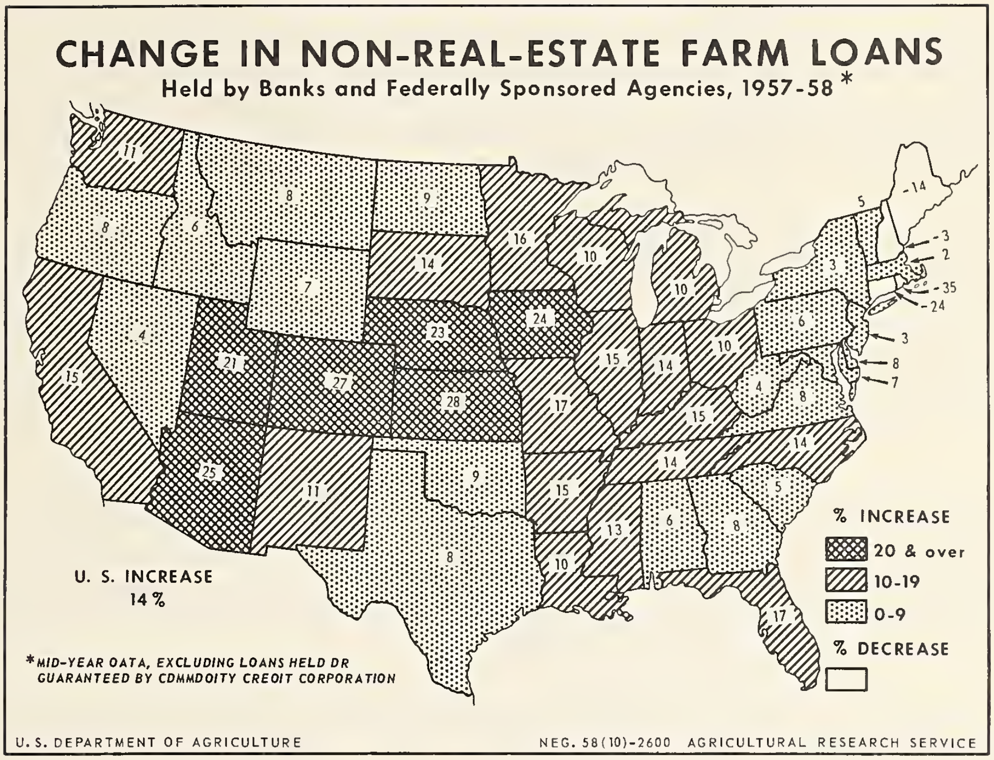


Figure 5

loans would be smaller this fall than last fall. Greatest improvement with respect to carryover debts was indicated for the South and for the Midwest, which includes the Northern Plains States as well as the Corn Belt and the Lake States. In response to the question, "What is the principal farm credit problem in your areas?" fewer bankers named weather and the cost-price squeeze, and more named the need to enlarge and improve farms, than in a similar survey conducted a year earlier.

Farmers and ranchers will probably use more production credit in 1959 than in 1958. Prices of cattle are still high and numbers continue to increase. The improvement in farm income is encouraging farmers to increase their investments in farm machinery and farm improvements. For many of these investments, additional credit will be needed. Moreover, if acreage of important crops expand next year under the new farm program, more credit may be required to meet crop production and harvesting expenses.

Interest rates charged on production loans to farmers apparently were about the same to slightly lower this fall than a year earlier. The bank survey indicated that bank rates were about the same in both years - 6.4 percent for the country as a whole. Most of the production credit associations had rates of 6.0 percent on September 1 of this year and 6.0 to 6.5 percent on September 1 of last year. In 1958 more of the associations charged less than

6 percent and fewer charged 7 percent or more than in 1957. Many of the production credit associations reduced their rates following the drop in money market rates last winter and spring, but recent increases in money market rates make it possible that rates of the production credit associations will be raised again. Prospects are that farmers will pay higher rates of interest on production loans obtained in 1959 than on those obtained during 1958.

Farm-mortgage borrowing, which had been declining for about 2 years, began to increase in the second quarter of 1958. For the rest of the year, it should run ahead of 1957. One reason for the increase in borrowing by farmers may have been the slight decline in farm-mortgage interest rates that occurred in the first half of the year. A second reason may have been that the better crop and income prospects for 1958 strengthened the confidence of farmers in the future.

Interest rates on farm real estate mortgages and the supply of farm-mortgage credit are affected by and reflect - though with a considerable lag - interest rates in the central money markets. These latter rates determine the yields on alternative investments for private lenders like insurance companies and commercial and savings banks. They affect also the cost of the funds loaned by the Federal land banks.

Rates in the central money markets dropped sharply from October 1957 to mid-1958 and have risen abruptly since then. For example, in September 1957, the Federal land banks sold an issue of 16-month bonds on terms that cost them 4.89 percent per annum for the money raised. In July 1958, a 15-month issue was sold at a cost of only 2.00 percent, but rates were higher again in October 1958 when a 6-month issue cost 3.60 percent and a 3-year issue cost 4.08 percent per annum.

The sharp decline from the fall of 1957 to mid-1958 in costs of money enabled the Federal land banks to lower their lending rates. In November 1957, three land banks charged the maximum rate of 6 percent and 9 land banks charged 5.5 percent. By August 1958, each land bank had reduced its lending rate; 3 banks were charging 5.5 percent and 8 banks 5.0 percent. The Omaha bank had a 4.5 percent rate, which was increased to 5.0 percent in October 1958. A general revision in the appraisal standards of the land banks in May 1958 permitted larger loans on the better farms offered as security and, together with the reduction in lending rates, improved materially the competitive position of the land banks in the farm-mortgage field.

In early November 1958, the lending rate of each Federal land bank was one-half of one percentage point below the rate a year earlier. In October 1958, several leading insurance companies indicated that their rates were substantially the same as a year earlier. For some companies, this meant that rates on farm mortgages had been increased since last spring; other companies that had not increased their rates were considering doing so. According to a survey made by the American Bankers Association, commercial bank rates on farm-mortgage loans in September 1958 averaged 5.80 percent, the same as a year earlier.

The outlook is for higher interest rates on farm mortgages in 1959 if the yields on Government and corporate securities continue to be as high as they are now. Higher interest rates have raised the cost of money obtained by the Federal land banks through the sale of bonds. Life insurance companies are already finding yields of alternative investments increasingly attractive. One company reported on farm-mortgage lending in the third quarter of 1958 as follows:

> "This quarter represents a period in our farm lending activities when other types of investments were much more satisfactory, and the yields therefrom put a heavy call on investable funds. At no time were we without ample funds to take care of our farm mortgage lending. Owing to the difference in yields, it can be said that we did not stress our operation, but we did take care of any demand upon us."

A second company reported:

> "We [the farm loan department] are having difficulty competing with the securities investments. Many of the investments that they are able to make give a greater net yield to the company than do farm mortgages, and of course, this disparity cannot continue for long. Our return will have to be at least as great as theirs is."

Farm Taxes

Taxes paid in 1958 on farm real estate and personal property, based largely on levies made in 1957, were about 6 percent larger than a year earlier. The total is estimated at $1,277 million. Of this amount, $1,044 million was levied on farmland and buildings (fig. 6), and the rest on personal property including livestock, farm machinery, automobiles, and household furnishings.

As in other recent years, the basic cause of the rise in farm property taxes lies in the rising cost of local government. Most State governments derive little or no revenue from property taxation, but this source remains the chief financial bulwark of local units. The largest single category of local government spending is for public education. In rural areas, an especially large share of local revenues goes for this purpose. Spending for public elementary and secondary schools increased by almost half between 1950 and 1957. More than half of the 1957 total was financed from property tax revenues.

Another important cause of the uptrend in farm property taxes is found in the population shifts associated with the growth of suburbs. This movement is placing increasing demands on the property tax base to support expanded countywide government services.

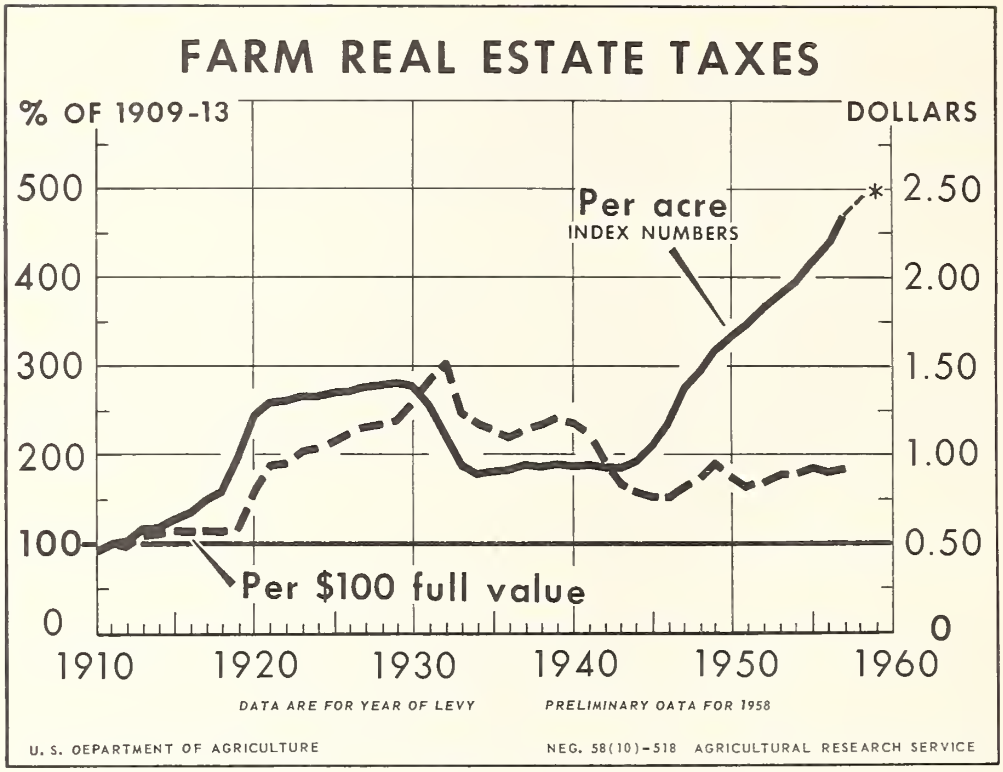


Figure 6

Federal income taxes - the other major component of the farm tax total - involved payments of about $1 billion in 1958. This amount, which was paid principally on income received in the 1957 calendar year, was much the same as the year before.

Social Security and Conservation Reserve

The Social Security and Conservation Reserve Programs are sources of a regular and assured cash income to an increasing number of farmers. They are providing many farmers in all sections of the country with financial security for their old age, and in addition, are facilitating farm adjustments. In effect, they retire both the farm and his land in a manner acceptable to him and his community.

By mid-1959 about 600,000 farm families will be receiving Social Security benefit payments. About 264,000 producers will earn payments from the 1959 Conservation Reserve Program as compared with 126,000 for the 1958 program. Nearly half of the contracts in force in 1959 compared with only one-fifth in 1958 will be for entire farms. Field studies indicate that a large proportion of the farmers who signed up entire farms in the conservation reserve are also receiving retirement benefits from social security.

The provisions of both of these programs have been liberalized. For example, the size of the monthly Social Security benefit payment will be increased an average of 7 percent in 1959 and a number of restrictions on eligibility for benefit payments have been removed. Although the acreage reserve part of the Soil Bank Act is being discontinued after the 1958 crop year, the conservation reserve part of this Act will be greatly expanded in 1959 and a further extension is expected in 1960. Incentives have been added for placing entire farms in this program, and these farms may account for about three-fourths of the new contracts and cropland acreage added in 1959.

REGIONAL SITUATION AND OUTLOOK

The following discussion of the financial condition of farmers in the different regions is based mainly on surveys made in late September and early October. Information was obtained by interviewing farmers and ranchers, merchants, bankers, and other lenders and creditors in 25 selected counties. Also, information was received from the district Farm Credit banks, the State offices of the Farmers Home Administration, the agricultural economists of the Federal Reserve banks, and the farm mortgage departments of several life insurance companies. Finally, survey data from more than 1,100 banks were made available by the American Bankers Association.

Northeast 2/

For the Northeast, 1958 has been a considerably more favorable year than 1957 when a large part of the region suffered from severe drought. Plentiful moisture in 1958 brought abundant crops, which reduced feed costs for dairymen and livestock producers; markets for cattle have been strong; prices of eggs held up well through the summer; and prices of milk showed considerable stability. However, prices of many vegetable and fruit crops were depressed by the large supplies seeking a market, and broiler prices have been low.

In general, livestock producers, dairymen, and egg producers have done well financially in 1958, whereas producers of broilers and of some fruits and vegetables have fared poorly. Also, as a rule, the larger farm enterprises have done much better than the small ones. Farmers in this region used little more credit in 1958 than in 1957. At mid-1958, production loans to farmers held by principal lending agencies were only 2 percent higher than a year earlier - the smallest increase for any region. But the situation of farmers differs considerably by area and type of production. These differences are reflected by surveys that were made in several counties.

Potato farmers in Aroostook County, Maine, are in a stronger financial position than a year ago because of the favorable prices received for the 1957 crop during the spring marketing period of 1958. This was a change from the

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2/ Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, New Jersey, Delaware, Pennsylvania, and Maryland.

previous year when returns from potatoes were low. A survey in the county indicated that financial reserves of farmers had not changed appreciably, but total farm debts were less than in 1957. Increases in current operating expenditures were noted also.

A majority of farmers have used credit in the last few years. However, with larger farm income, less credit was required to produce and harvest the 1958 crop despite increased operating expenditures, but loans for equipment and machinery were larger than last year. Commercial banks, production credit associations, and the Farmers Home Administration reported that fewer farmers obtained loans and that the loans they obtained were smaller in amount than in 1957.

Farmers have been cautious in their nonoperating expenditures during the last few years. However, with increased cash receipts, farmers, merchants, and dealers reported substantial increases in sales of farm machinery, equipment, automobiles, and trucks this year. In addition, farmers generally had increased outlays for repairs of buildings, and for household equipment and furnishings. Respondents indicated that living expenses were also up slightly. With these increased expenditures and higher operating costs, financial reserves and savings were about the same as a year ago.

The farmers interviewed indicated that potato yields per acre were down from 1957, but total yield in the county is about the same as last year. Farmers, dealers, and credit agencies were generally pessimistic as to expected prices and incomes during the marketing season that will extend through the spring of 1959.

In Merrimack County, N. H., milk prices were slightly lower than they were last year. However, the higher price of cull cows, along with better feed supplies and higher milk production per cow, increased gross farm income over 1957 for most of the dairy farmers visited. All of the operators visited indicated that expenditures were higher this year than last. A small number of farmers who had income from nonfarm work reported that it was at about the same level as 1957.

A majority of the dairy farmers used credit during 1958, yet reduced their total debts. Merchants and dealers appeared to be more restrictive in selecting borrowers. Banks loaned less to each borrower but served about the same number as in 1957. Few farmers were delinquent in meeting their debt obligations, and most farmers did not anticipate inability to meet their repayment schedules.

Most farmers visited indicated that their savings accounts and other liquid assets were the same or lower than last year. It was generally felt that living expenses, operating costs, and particularly property taxes, had increased over the last year. Expenditures for farm machinery were the same or larger for all farmers interviewed. Some farmers have put up new buildings, or bought or rented more land.

A majority of the dairy farmers interviewed indicated that they were in stronger financial condition this year than last. Many factors influenced this opinion, among them the good pasture season, adequate supplies of winter forage, and increases in size of farm operations.

Interviews with producers of market eggs in Merrimack County indicated that all had higher gross incomes in 1958 than in the preceding year. Egg prices in the first 9 months of 1958 averaged about 20 percent higher than in the corresponding period of 1957. Nonfarm income, which is an important source of earnings for about half of the farmers visited, was reported to be about the same in both years. All producers of market eggs interviewed reported increases in total expenditures.

Most of the farmers visited said they had obtained dealer credit in 1958. These debts were incurred for feed used in raising replacement birds. The amount of credit obtained was the same or less than a year ago. Obtaining feed on account while rearing birds is common practice with those obtaining dealer credit. Lending agencies are reluctant to make loans in the poultry industry, and dealer credit is the main source of production credit for the poultry farmer. Real estate debts were generally reduced.

Financial reserves were usually about the same as those a year ago. Current operating expenditures were generally higher and larger outlays were made in 1958 than in 1957 for farm equipment, automobiles, trucks, and construction or repair of buildings. Household and living expenditures were higher also.

With the favorable price relationships that have existed, the poultry farmers visited indicated they were in stronger financial position than they had been in 1957. However, with the increase in the number of replacement birds started this year in both New Hampshire and the United States as a whole, these farmers felt that their financial position would not improve.

Most of the farmers interviewed in Orleans County, N. Y., which lies on the shores of Lake Ontario, produce apples and a variety of vegetables. They also have small supplementary livestock enterprises. The 1958 tomato crop was exceptionally good, and returns from this crop were the best in years. Production of most other vegetables and of apples was also large, but the markets for fresh cabbage and apples are unfavorable.

A majority of the farmers interviewed felt that their financial position had weakened in 1958. The weakening was reflected by a larger debt load, or by depletion of financial reserves. Exceptions were farmers who produced considerable quantities of dairy or poultry products.

This fall, interest in the Conservation Reserve Program increased. In view of the stepped-up industrial activity, many farmers wanted to put their entire farm units in the reserve and take full-time jobs in nearby industry. Older farmers are making serious efforts to qualify for Social Security.

Merchants and dealers report no change in dollar volume of sales to farmers. About the same, or a somewhat higher, proportion of these sales is made on credit than previously. They report no change in farmers' attitude toward the use of credit, and expect little change in collections on credit.

Outstanding loans to farmers are up somewhat from last year. Most of the increased credit was extended for operating expenses. Borrowings for tractors, equipment, and farm improvements were lower. There appears to be no great change in past-due installments to be carried over into 1959, in the anticipated number of foreclosures, or in the proportion of farmers forced to adopt lower living levels or delay expenditures as compared with a year ago. However, about half the farmers interviewed who had short-term debts were uncertain as to whether they would be able to clear up their debts on schedule. The lending agencies were somewhat more optimistic concerning collections than were farmers.

Most of the farmers thought that their financial reserves would be about the same or reduced somewhat this year. This view reflects their pessimism toward apple and cabbage prices. Lending institutions, however, considered the growers to be too pessimistic and believed that the level of financial reserves would not change much.

Lebanon County, Pa. is in the heart of the Pennsylvania Dutch country. It is a general farming area. Income is divided among dairy, poultry (layers), other livestock (principally beef) and field crops (corn, wheat, and tobacco). Most of the farms in this area range from 75 to 140 acres in size and most are owner-operated. Few of the operators have off-farm income.

Because of favorable weather, 1958 crop production promises to be one of the best. Pasture and hay have been plentiful throughout the summer. Wheat and tobacco harvests have been good and the outlook for corn is very good. These favorable conditions contrast with those in 1957 when this area suffered a severe drought.

Most of the farmers in the area do not like to borrow for current expenses, machinery or other items, but because of the drought in 1957, some farmers reported that they had to have a little more credit than usual in late 1957 and early in 1958. Most farmers bought more machinery in 1958 than in 1957. Many reported that current operating expenses were gradually increasing. Even with increased spending, the financial asset position of most farmers has changed little. The farmers in the area tend to adjust their standard of living and purchases to avoid having to draw on their reserves.

The lending agencies reported a modest increase in outstanding loans to farmers. A few reported that they served more farmers and others that the average amount loaned per farmer was larger. Few applications for loans were refused. The banks reported that they had no farm borrowers who carried over past-due installments. The federally sponsored agencies reported only a 3- to 4-percent carryover. Merchants and dealers reported collections to be a little slower this year. There have been no foreclosures in this area for some years.

Because of the improved feed situation and higher prices of cows, most dairy farmers are in a somewhat improved financial condition this fall as compared with last. However, many fear that they will be obliged to install bulk milk tanks within the next few years or go out of business. The financial condition of poultry farmers has not changed substantially since last fall. Beef, tobacco, and general farmers are in a stronger financial condition this fall than last.

Corn Belt 3/

Corn Belt farmers generally are in an improved financial condition this fall, as compared with a year ago, but the situation varies widely by type of farm and by area.

Favorable corn-hog ratios and cattle feeding margins have made 1958 a highly prosperous year for hog producers and cattle feeders in the Corn Belt. However, their prospects for 1959 are dimmed by the higher prices of feeder cattle and the outlook for lower prices of hogs.

Returns of cash-grain farmers in 1958 have been held down by the high moisture content of the 1957 corn crop, which caused many sales to be made at a substantial discount. Although support prices for the 1958 crops are lower than those for the 1957 crops, returns of cash grain farmers in the Corn Belt probably will be greater in 1959 than in 1958 because of the better quality and larger size of the 1958 crops.

The situation of dairy farmers in the Corn Belt has been about the same in 1958 as in the preceding year, and prospects are for little change in 1959.

Heavy rainfall in 1958 damaged the crops on bottom lands in many parts of the Corn Belt. Most serious damage was sustained along the Wabash, Ohio, and Mississippi Rivers. A few counties in northwestern Iowa suffered from dry weather. But, in general, plentiful rains have resulted in bumper crops in the Corn Belt.

Corn Belt farmers have used considerably more production credit in 1958 than they did in 1957. Increases from mid-1957 to mid-1958 in outstanding production loans from principal lenders ranged from 10 percent in Ohio to 24 percent in Iowa. These increases resulted largely from increased numbers of cattle on feed and the relatively high prices paid for them. Corn Belt farmers have also used a considerable amount of production credit to buy bulk milk tanks and new and larger machinery and to improve buildings on their farms.

3/ Ohio, Indiana, Illinois, Iowa, and Missouri.

The cash position of farmers in most parts of the Corn Belt appears to be somewhat stronger than it was a year ago. But most of the increase in income in 1958 was used to buy machinery and equipment, to make farm improvements, and to pay debts. The much greater proceeds from sales of fat cattle were invested largely in more cattle. Thus the stronger financial situation of farmers in the Corn Belt is reflected mainly by increases in the values of their physical assets.

Surveys provide more details on conditions in three different counties of the Corn Belt.

In Benton County, Ind., changes in the financial condition of farmers since 1956 have been small. Income declined slightly during the last year, and expenses were higher, but the farmers' net worth differs little from that a year ago.

Farmers in this county sell, rather than feed, most of the grain they produce. Much of the 1957 corn crop had a high moisture content that made it unsuitable for sealing and subject to possible spoilage. As a result, many farmers sold their corn at a discount early in 1958, and realized less income from the 1957 corn than they had from the smaller 1956 crop.

In the early part of 1958, the weather was far more favorable than in 1957. Corn and soybeans were planted early and made excellent growth. However, widespread rains in June caused severe flooding of low areas. As these areas drained, they were replanted only to flood again. Some areas were planted and flooded a third time. These difficulties raised costs and lowered yields on many farms in the county, but the corn crop is of better quality this year than a year ago.

Conditions in many parts of Indiana are better than in Benton County. In some areas, the best corn crop in history will be harvested. Moreover, farmers in most areas have more livestock than those in Benton County and have profited more from the favorable prices of cattle and hogs.

Currently, hog farmers have very good incomes. Most of the few hog farmers in the county have normal numbers of hogs to market and have received excellent prices for them.

Both operating and living expenses are higher in 1958 than they were in 1957. Maintenance of farm buildings appears to be normal but new-car sales are down about a third from 1957 and many farmers are repairing, rather than replacing, machinery, automobiles, and household equipment. However, machinery purchases are about as large in 1958 as in 1957.

Farmers appear to be fairly cautious about debts. Lenders claim that they are encouraging this conservative attitude, but farmers indicate that they had no difficulty in getting the credit they request. There appear to be only normal difficulties in making collections.

Because of the better quality of their corn and soybeans, the prices received by many farmers for 1958 crops will be as high as or higher than the prices received for the 1957 crops. Hog farmers are apprehensive about the predicted larger supply of hogs. Cattle feeders do not expect to have good marketing margins but they expect to make some return in 1959 from feeding cattle. Beef cows will again be profitable in 1959, but the number of cows in Benton County is small.

Farmers in general expect operating and living costs to be higher in 1959, and taxes will be somewhat higher. Dealers anticipate about the same dollar volume of new machinery sales. Sales of used machinery will continue to be good and repair and service sales will be as high as they were in 1958.

Cattle and hog feeders in Bureau County, Ill., are enjoying one of the better years in the history of the county. A corn-hog ratio that approached 25 to 1, combined with a good market for fat cattle, generated these prosperous conditions. In 1957, crop yields were good. The 1958 crop is expected to be even better. Grain prices have been relatively low, but this has worked to the advantage of livestock farmers who predominate in the area.

Compared with those in 1957, financial savings and reserves of farmers in the area are the same or improved. Favorable cattle and hog prices resulted in a larger net income for nearly all farmers during 1958. Replacement feeder cattle cost considerably more this year than last, so that much of the gain from farm sales during the first three quarters of 1958 was put into feeder stock for 1959. There has been no general move to cash in the inventory gains of the last year.

Expenses were generally higher in 1958 than in 1957. Expenditures for current operations were higher on nearly all farms. Fertilizer, repairs, gasoline, and wages led the increase. More row crops, chiefly corn, caused the increase in operating costs, although some items increased in price. Only about half of the farmers interviewed had completed their 1958 purchases of feeder cattle, but all intended to buy about the usual number. When purchases have been completed, the outlay for feeder cattle will be higher without exception. Prices for feeder cattle are about $6 per 100 pounds higher this fall than a year ago.

The trends in purchases of durable capital items indicate more clearly than any other single factor the present financial strength and general optimism of farmers in the area. The volume of expenditures for new machinery, particularly the more costly kinds of equipment, and construction of new farm buildings, is considerably greater than during 1957. These outlays are being made for both replacement and expansion.

Lenders in the area have been able to supply all of the credit requested by farmers with the possible exception of long-term credit for the purchase of land. The bulk of the credit extended is for purchase of feeder cattle. The volume of credit extended is considerably greater than in 1957, largely because of higher prices for feeder cattle.

One bank in the area reports that it has arranged financing for more beginning young farmers for 1959 than in any recent year. Most of these operations will be on family farms. Good prices during the last 3 years are credited with encouraging these young men to stay on the farm rather than move into other occupations.

Economic conditions in the coming year are not likely to be as favorable for farming as they were in 1958. Farmers and tradespeople expect a drop in prices next year. Considering the present price of feeders, cattle may not return such profit, but if prices for fat cattle are as high as $25 to $28 per 100 pounds next fall, farmers should get a good price for corn fed to cattle. Hog prices will doubtless be down, but the return for corn sold through hogs should still be good, and probably better than the CCC loan value.

A majority of the farmers in Story County, Iowa, are in stronger financial position now than they were a year ago. Income increased more than did costs, and this year's benefits are in addition to increases of last year. For most operators, financial savings and reserves are greater, or, if smaller, the difference is explained by such capital expenditures as farm improvements or added machinery.

Expenditures for farm operations are higher, and more has been spent for machinery this year. One automobile dealer reports this as his best year for sale of cars to farmers, and states that this holds also for many dealers in central and northern Iowa. Farmer buyers came in and paid cash for new cars (but the dealer did not know whether they had borrowed to get the cash); and they did less dickering on trade-in values than in past years. Likewise, a lumber dealer who does the bulk of his business with farmers reports that this is his best year of the last 5 for sales of lumber for repair purposes.

Total outstanding loans for operating purposes appear to be larger now than they were a year ago. Delinquencies on loans are few and far between. There are no reported foreclosures or forced settlements. Taxes are being paid on schedule.

Cattle are going to feed lots at prices varying from $28 to $36 per hundredweight. To some farmers, and particularly to those who do not feed cattle regularly or continuously, placing corn and beans under price-support loans will be more attractive than will purchase of feeders, because they know the loan rates for both compliance and noncompliance crops, and can only guess the 1959 price of cattle. Nonetheless, the prospects are that farmers who feed cattle regularly will fill their lots. For hogs, the prospects are that more will be raised in 1959.

Lake States 4/

Taken as a whole, farmers in the Lake States are little, if any, better off financially this fall than they were a year ago. Cash receipts from farm

4/ Michigan, Wisconsin, and Minnesota.

marketings in this region during the first 8 months of 1958 were only 3 percent larger than in the corresponding months of 1957. With higher expenses, there was little change in net farm income. However, higher prices of livestock and farmland increased the value of the assets and the equities of many farmers.

As in other regions, changes in the Lake States during the last year varied widely by areas. The best crops in years were harvested in northwestern Minnesota. Drought hurt crops and pastures in southern Minnesota. southern Wisconsin, and central Michigan, but for many farmers in these areas the effects of drought on farm returns were offset by higher prices for livestock. The situation of farmers deteriorated somewhat during the year in the Upper Peninsula of Michigan, chiefly because of the lower prices of potatoes.

Outstanding production loans of principal lenders to farmers were about 10 percent higher at mid-1958 than a year earlier in Michigan and Wisconsin and about 16 percent higher in Minnesota. The increases arose partly from the higher cost of feeder and dairy cattle and from increased expenditures for bulk milk tanks and other capital improvements. A tendency to enlarge livestock and poultry operations is reported, and lenders expect a heavy demand for credit in connection with these specialized operations, particularly where contract farming is being promoted.

A survey in <u>Mecosta County</u>, <u>Mich</u>., reveals more detail concerning a dairy area in which farmers are a considerable distance from their markets. Sales of dairy products account for about half of the total cash farm receipts in this county. Most of the fluid milk is shipped 175 to 200 miles to the Detroit market; manufactured milk goes to local creameries or condenseries. This county is located in the central part of the Lower Peninsula, somewhat north of the most productive agricultural areas of the State. It suffered from drought in 1958.

Most fluid milk producers in Mecosta County are expanding or going out of business. Those who are in position to expand are quite sound financially and are as well off as they were last year. Low-volume producers and those who sell to creameries and condenseries are worse off than they were last year, because of lower prices and continued high costs.

Turkey and broiler producers have been in poor financial condition both last year and this year. Many have been forced out of business by low prices and lack of financing. Egg prices are considerably higher than they were last year, and farmers with large laying flocks have improved their financial position.

Cash-crop farmers suffered from poor crops this year and are generally in a weaker position than last year. Except for wheat, all cash crops produced lower yields. Farmers were also faced with a shortage of labor to harvest snap beans and cucumbers. Unemployment in town did not help producers of these crops as much as might be expected, as they depend on migratory rather than local workers.

Reduced off-farm earnings did not appear to affect the spending of farmers for farm operations. There was no marked change in purchases of seed and fertilizer, and hired labor for general farm operations was often more readily available and of better quality than it would have been if nonfarm employment had been high. Some farmers reported lower purchases of machinery this year, and both dealers and lenders reported a major decrease in purchases of new machinery. Purchases of bulk milk tanks represented a new item of expenditure for many farmers who produced fluid milk, and this tended to offset lower spending for other equipment. Maintenance of buildings and equipment also resulted in increased spending on these farms.

The farmers interviewed may be in a better debt position than the average of all farmers in the county. Most of them reported no difficulty in getting the credit necessary to finance their operations, and they are expected to be able to pay bills and installments on loans as they come due. Lenders, however, report a shortage of farm credit for both real estate and operating capital.

Some lenders are tightening their credit policy toward farmers they consider marginal, that is, those on uneconomic units, or those who do not appear to be making progress toward repayment of loans. None of the lenders reported any foreclosure, but some had required their marginal borrowers to seek other sources of credit or recommended that they sell out. This did not represent a marked change in policy in 1958, however, because some borrowers are weeded out nearly every year. Payments on loans have generally held up well.

Lack of off-farm employment has retarded the movement of farmers out of farming in this area. It has intensified the farm-credit problem because of the new demand for credit from small farmers who might have quit farming if opportunities in nonfarm work had been more plentiful.

Most of the farmers interviewed believed that their income would be as high or higher in 1959 than in 1958, depending on next year's crops. Prices of dairy products were not expected to change much, and costs were expected to remain stable.

Appalachian and Southeast Regions 5/

Following the unfavorable season last year, production in 1958 has been good to excellent for pastures and forage crops, corn, soybeans, tobacco, peanuts, and cotton. With relatively good prices, especially for livestock, and despite higher costs, net farm incomes are improved over 1957 for most farmers. A notable exception is the situation of vegetable growers in many areas that were affected by excessive cold and rain or low prices. Small-scale farmers, who are numerous throughout these regions, continue to have difficulty in making ends meet notwithstanding some improvement. Nonfarm

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5/ Virginia, West Virginia, North Carolina, Kentucky, Tennessee, South Carolina, Georgia, Florida, and Alabama.

income, which is important to many farmers, was slightly less favorable during the first half of 1958 than the year before.

The debt situation in these regions has improved. Many operators have caught up on old bills and debts carried over from the 1957 season. The supply of credit is generally adequate and foreclosures are rare. Financial reserves for most farmers are low. Any increase in income not used to pay debts is usually spent for repairs, replacement of machinery, and better living.

The financial outlook for 1959 in the Appalachian and Southeastern regions is better than the outlook for last year. Many will start the new year in a sounder debt situation. Plant and equipment will be somewhat improved and the feed supply looks good. But the basic problem of many small farms remains. Some will try to solve it by obtaining nonfarm income or moving out of farming. Others will seek additional farm enterprises or larger acreages. The latter will be faced with higher costs and a larger capital requirement. Most of them will need more credit. Lenders generally recognize the need for larger businesses, and when requirements can be met credit will usually be available.

More detailed information for important types of farming in these regions was obtained through special surveys. Many of the tobacco areas probably had experiences similar to those in Wilson County, N. C. Here farmers were reported to be selling 200 to 300 pounds more tobacco per acre than they did last year at prices slightly above the average of last year. Total income from tobacco will be substantially greater than in 1957. Very little tobacco acreage in Wilson County was placed in the Soil Bank in 1958. The improved income situation may result in some increase in savings of farmers. Many will be able to settle debts carried over from last year as well as those incurred this year. Foreclosures will be few, and most farmers will be able to meet current payments on debts. Spending for farm operations, maintenance of buildings and equipment, and family living will probably increase. The movement away from farming in this area may be retarded. The demand for credit for production and farm improvements is expected to increase. In early 1958, because of a recession psychology and the poor year of 1957, farmers were more cautious in their use of credit.

Throughout the Piedmont areas, cotton continues to decline in importance. In Laurens County, S. C., for example, cotton acreage has been decreasing in recent years. In 1958, mainly beause of the Soil Bank Program, it was only about half that of last year. However, cotton yields were significantly higher in 1958 than last year and harvesting at the time the survey was made was progressing under favorable conditions. Prices received for cotton were relatively good. Because of smaller acreages and some increases in cost rates, net income from cotton continues to be relatively small. In the Piedmont, the shift toward off-farm income continues. Employment opportunities are much the same as last year. Some decline is expected in businesses allied with farming, such as processing, ginning, and small retail outlets for agricultural supplies. Although its effects are uncertain as yet, the

elimination of the acreage reserve phase of the Soil Bank Program may retard the rate of movement from farming.

Farmers have been able to reduce their non-real-estate debts because of more favorable crops, Soil Bank payments, and lower total expenses. Farm mortgage debts will change relatively little. Delinquencies appear to be less than last year. Except for a few larger farmers, savings and reserves are small, although they have not declined. Because of diminishing farming activity in the Piedmont, spending for farm operations and for maintenance of buildings and equipment has decreased. But spending for family and household needs appears to have risen.

The financial outlook is fairly bright for farmers who have relatively large amounts of land, labor, and capital. These farmers have made substantial progress but their production expenses and capital costs continue to be high. The outlook for those who have begun to expand or adjust their operations is good also, but the transition to an adequate unit involves heavy capital outlay and high risks. Discontinuation of the Acreage Reserve Program has made some members of this group uncertain concerning future production plans. Soil Bank payments have helped farmers who have inadequate resources for efficient production to meet operating expenses and to maintain a subsistence level of living. Although their overall welfare is as good or better than it was last year, their financial outlook is less favorable. Many will turn to off-farm activities.

In Grainger County, Tenn., where small-scale farming is important, farm receipts were larger than in 1957, chiefly because of good crop production and higher prices for beef cattle and burley tobacco. But because of higher family and operating costs, few operators will have net incomes from farming larger than those a year ago. Nonfarm income was at about the 1957 levels, although some unemployment occurred earlier in the year. Social Security benefits were reported to be up about a fourth.

Purchases of automobiles and appliances continued to decline. Expenditures for building and machinery maintenance and for many household items were about the same as last year. There is some indication that repairs are not adequate to offset depreciation of farm buildings. The small subsistence farmers, who are usually in the older age groups, have fared less favorably than those on other types of farms.

Both delinquencies and foreclosures are at low levels. The volume of loans was slightly larger in 1958 than in 1957. Loans were made mainly to part-time farmers for farm and home improvement and to full-time commercial farmers for livestock and equipment. However, some lenders and dealers said farmers were more conservative in both borrowing and spending because of recession psychology stemming from unemployment among friends and relatives. Traditionally, the small-scale farmers throughout this region use very little cash credit. Any credit used is often supplied by merchants and dealers.

It has been a good year in the peanut-cotton section of southwestern Georgia. In Terrell County, for example, more credit was used than in 1957 but creditors and lenders interviewed expected very few delinquencies. In general, debts are in sound condition. Some increase in investment in machinery is indicated. Perhaps the most significant increase in the last several years has been in harvesting machinery, particularly peanut combines and corn harvesters.

After a short crop in 1957 farmers entered 1958 in a weakened position, with many of them delaying repairs to buildings and replacement of machinery. Despite the current favorable situation and the good outlook for 1959, many farmers face longer run adjustments. Small farms, often because of limited crop allotments, do not provide the volume of business required for a reasonable level of living. As in other parts of the Southeast, some farmers are turning to part- or full-time nonfarm employment. Some are attempting to buy or rent additional land or otherwise improve their production or efficiency.

The Black Belt of Alabama, where Dallas County was surveyed, is one of the few areas of the Southeast that experienced a relatively good season in 1957. This section, which is one of the better farming areas of the State and has been shifting from row crops to beef and dairy enterprises, also had a good financial year in 1958. Both the growing season and prices received were unusually good. Although a majority of the farmers were in relatively good financial condition, beef producers were better off than dairy and cotton farmers. The Soil Bank Program was not too important in the county and farmers depended little on nonfarm income.

Many farmers were reported to have increased their savings, and many have enlarged their farms, built new buildings, or made other capital investments. Replacing machinery or putting it in good condition was a widespread practice. In general, debts of all kinds were in current condition. The supply of credit appeared to be adequate. Very few of the beef and dairy producers used anything more than 30-day merchant credit.

In central Florida, the financial condition of citrus and vegetable growers is highly variable, mainly because of the effects of severe freezes during the last season.

Because of high prices, most citrus producers are in the same to a somewhat stronger position than a year ago. Those few whose groves were severely damaged are not as well off. They not only lost their operating expenses this season, but the cost of pruning was high and they have prospects of little or no income for the next 2 to 5 years. Only a minority of the citrus producers interviewed reported that their financial reserves had been reduced. It appears that spending for operations, improvements, and living has been affected very little. Grove owners appear to be optimistic even where freeze damage occurred. Loans to citrus producers have increased, and apparently lenders do not hesitate to lend for either long or short terms. The financial outlook for the coming year is very favorable, especially for those whose groves suffered only minor damage.

Some of the troubles experienced by vegetable growers in Florida may be much the same as those experienced by such growers in other areas of the Appalachian and Southeastern regions. The freeze damage to muckland vegetables this last year was partly offset by favorable prices. Although cash reserves may be lower, the credit and financial condition of muck farmers in the survey area appears to be satisfactory. Few were unable to meet credit commitments.

The situation of other vegetable producers in Florida is a different story. Replanting after each freeze resulted in simultaneous marketing of vegetables from many areas. Prices fell below the cost of picking and packing. Many producers, especially tomato and watermelon growers, did not attempt to harvest their crops. The financial condition of watermelon and vegetable producers other than muckland farmers is much worse than last year. The majority of those interviewed were unable to recover operating expenses and many had to increase long-term debts. Lenders reported an increased demand for credit; delinquencies were higher. Credit from commercial banks was reported to be tighter and merchants and dealers were watching their credit sales closely. Many dealers had extended accounts to the limit and repossessions had increased.

Savings and reserves of the melon and vegetable producers in central Florida were substantially reduced and in many instances depleted. Many will be forced to reduce operations, postpone needed improvements, and spend less for family and household needs. Despite the disastrous year few appeared to be moving out of farming.

Delta States

The credit and financial situation of farmers in the Delta areas of Mississippi, Arkansas, and Louisiana is varied but, on the whole, it has deteriorated during the last year. Relative to earlier years their situation is one of the poorest in the nation. During the harvest season of last year, excessive rainfall and early frost reduced both production and quality of cotton. Late soybeans and grain sorghums were also hurt by adverse weather. The drop in income forced many farmers to carry over unpaid debts to 1958. Large numbers of counties were designated as eligible for emergency credit from the Farmers Home Administration. Again in 1958 weather was unfavorable in many cotton areas. Some sections failed to get a stand and a large acreage was placed in the Soil Bank. The cotton crop has been costly to produce and much of it is late. September rains delayed harvesting and caused some damage to the crop, the extent of which could not be known before mid-November.

Production in many areas of these States that are outside the Cotton Delta was good in 1958. Pasture and feed conditions were favorable for cattle and dairy farmers. Yields of soybeans, corn, and rice were high, although continuous rains in late September caused some spoilage. Excessive rains also caused damage to the sweetpotato crop in Louisiana. Except for some fruits and vegetables prices for crops were good. Incomes from hogs and beef, which are particularly important in northwestern Arkansas, were improved. Thus, many farmers in the Delta States were in better financial shape than in 1957. As did farmers in other sections of the country, they reduced old debts, increased spending for both farm and home, and added to their financial reserves.

To determine more fully the financial prospects of farmers in the Delta cotton areas, a survey was completed in early October in Mississippi County in northeastern Arkansas. Here the adversities of farmers are largely related to type of soil. Prospects for yields of cotton on the more sandy soils were normal as of October 1 and would likely produce higher incomes than in 1957. Possibly 25 to 30 percent of the farmers in this county will be in this relatively favorable position. They will repay their 1958 production loans and 1957 carryovers, and some will end the year with more financial reserves. Farmers on heavy soils had difficulty in getting stands and their limited acreages of cotton are poor. Soybean prospects also are only fair. Production costs were higher than usual as many farmers replanted several times. The best income possible on the heavy soils will be about equal to that of 1957.

For the county as a whole, loan repayments may be somewhat better in 1958 than in the poor year of 1957. Even so, an appreciable number of farmers will go into the 1959 season with debt carryover from either the 1957 or the 1958 crop, or both. Foreclosures will be few but because of lower equities and some tightening of credit by private lenders and creditors, some farmers will be unable to obtain adequate financing next spring. The two successive unprofitable years have made gin companies, banks, and merchant suppliers considerably more cautious. Tenant operators and some owners of small properties especially may feel the squeeze. The demand for loans from the Farmers Home Administration will be large. Most farmers will have to borrow more than normal to produce the 1959 crop.

In general, the financial reserves of cotton farmers in Mississippi County are the lowest in several years. Although farmers bought new automobiles and pickups at near normal rates, replacement of tractors, harvesters, and miscellaneous field equipment has been deferred. Many building repairs have been deferred also, and the purchase of household furnishings was below normal in both 1957 and 1958. Such production expenditures as those for fertilizer and fuel were held to a minimum.

Despite the two unfavorable years, this part of the Delta is a relatively good farming area and is considered a low-risk area by many lenders. Few farm families will be forced to move. Off-farm employment is not widespread. But because of the smaller cotton harvest and the generally reduced incomes of operators, movement among the cropper and hired worker groups will be substantial, possibly 20 percent above normal.

In general, the operators of large farms are in somewhat better financial condition than are operators of the smaller farms. More of the larger farmers appear to have had liquid reserves to carry over from the good years of 1955 and 1956. Also, despite high fixed costs they were better able to reduce labor expense and to shift to such lower cost crops as soybeans when abandonment of a poor stand of cotton was advisable. On the small farms, living costs for the operator and for a minimum number of on-farm labor families had to be met, regardless of crop prospects or the type of crop. And finally, the large operators could often obtain production loans on more favorable terms from banks or production credit associations. Small operators usually obtain credit at higher cost through gin companies and merchant suppliers. When they borrow from banks, they pay higher rates than the larger operators.

Southern Plains 6/

This will be a memorable year for farmers and ranchers in Texas and Oklahoma, particularly in the western halves of these States. After 5 or more years of drought, production of wheat, grain sorghums, and cotton is excellent in 1958 in most sections. Range and pasture conditions are the best in years. Unfavorable production or harvesting conditions, usually because of excessive rain or insect damage, occurred in only a few eastern areas and along sections of the Rio Grande. Crop prices are somewhat lower than those of last year, but prices received for livestock are high. Production costs have risen only moderately. Ranchers have found their costs for supplemental feeding lowered substantially. Farmer income from nonfarm employment continues to increase, especially for the small farmer. Income from oil and gas royalties, however, declined because of the nationwide depressed conditions in the oil industry.

Repayments of current loans, as well as many loans that have been outstanding for several years, have been exceptionally heavy. There will be carryovers in some instances but delinquencies are expected to be small. The need for credit continues to increase in view of rising prices of livestock purchased, need for capital improvements, and higher costs for production and family items. Plenty of short- and long-term loan money is available. Farmers and ranchers, however, are conservative in their demands, probably reflecting caution born of the recent drought years.

Cash reserves of farmers are low as yet, but their spending has increased to some extent. Further increases are expected for the full range of goods and services usually purchased by farm and ranch families. Because of accumulated deficiencies during recent poor years, sales of farm equipment are expected to be good in 1959.

With improved moisture conditions in the Southwest, the financial outlook for farmers and ranchers is good. Cattle prices, however, are exceptionally high, and there is some concern over a possible drop in prices, which might hurt those who have borrowed for restocking purposes. Also, many farms are so small that even with improved production and prices, there is little hope for satisfactory incomes from farming.

To obtain local information on the extent of recovery from the severe drought, a survey was made in Carson County in the Panhandle of Texas. Here wheat and grain sorghum are the predominant crops and stocker cattle are usually grazed on wheat for 4 or 5 winter months. The good yields and sustained prices have permitted farmers to pay overdue accounts, buy some long-needed new equipment, make repairs that were neglected during the dry years, and bolster cash reserves that had been seriously depleted. The "catch-up" process is not complete, however, because of rising prices for almost all items required in farm production.

6/ Oklahoma and Texas.

Of the local lenders interviewed, the production credit association reported that its loans were up about 5 percent from last year mainly because of restocking and replacement of equipment. The need for renewal of loans was down about 10 percent because of improved income. The national farm loan association increased its loans for irrigation purposes, and loans for increased storage facilities were important. Delinquencies were at a new low of 0.3 percent. The number of farmers served by the Farmers Home Administration declined, indicating that some clients had improved their situations sufficiently to qualify for credit from other sources. Only 40 percent of FHA borrowers are expected to carry past-due accounts into 1959 compared with 70 percent with carryovers into 1958.

Commercial bankers interviewed said there was some increased lending for irrigation facilities. No increase in business with dryland farmers was reported. Some loans were made for machinery purchases but much of the combine, truck, and tractor "paper" is carried by dealers. Practically no delinquencies in farm accounts were reported.

Sales to farmers by local merchants were reported to be 10 to 25 percent better in 1958 than in 1957. But farmers still were careful in their spending. Outlays for building were confined largely to repairs, some of which had been long delayed, and to some added on-farm grain storage facilities. Such high-priced machines as trucks, tractors, and combines were bought only when absolutely necessary. Old equipment was continued in use, but repairs were more extensive. Credit is available to buyers but farmers appeared to be hesitant to use it. Without exception, however, dealers reported that collections were good.

Farmers themselves reported good farm incomes. Operating expenses were higher, and many are planning to buy stockers at high prices to graze wheatland. Taxes remain at the 1957 levels. Debts and store accounts have been reduced, and none of those interviewed experienced difficulty in getting all the credit needed. The early wheat stands and good soil moisture give promise of another good crop in 1959. A general feeling of optimism prevails among farmers and townspeople. After 7 lean years, however, it is apparent that one good year will not mean complete recovery.

The credit and financial condition of farmers in the Blackland area of Texas was better in 1958 than in 1957, but the improvement was not as outstanding as it was in the western sections of the Southwest. Interviews in Ellis County in this cotton-producing area reveal that 1958 income will be up, although fall rains may have caused some damage to the quality of cotton. As in other areas, yields of grain are high, pastures are good, and cattle prices are favorable. However, higher costs and reduced scale of operations have limited the benefits from the good production and price situation for many farmers.

For many farmers in Ellis County, the improved credit and financial condition will mean catching up on their debts. Most of those interviewed said they could clean up their old delinquencies and current installments by

the end of 1958. Lenders also reported that loan carryovers into 1959 would be smaller than those into 1958. Only the smaller producers will continue to have difficulty in making payments. Some of them are finding it harder to get new or additional credit from some sources. But in general, credit is not scarce.

Financial reserves, which have decreased for the last several years, may be replenished to some extent after the present cotton crop is sold. Savings will be small, however, and limited mainly to the larger, more efficient farmers. Spending for farm operations, livestock, and family living was larger in 1958 but spending for automobiles, new machinery, building improvements, and household equipment showed little change.

Despite improved conditions in 1958, pressures will continue for further basic adjustments toward larger but fewer farms. Participation in the Soil Bank Program has been high and part-time farming has increased. Fortunately, nonfarm employment opportunities in this area are good. The nearby metropolitan areas have attracted many of the smaller farm operators or family members who continue to live on the farm and commute to urban employment.

The West 7/

Many farmers and ranchers in the western half of the country are experiencing one of those all too rare years of bountiful harvest combined with favorable prices. Yields of most of the major crops in the area were well above those of last year, with some as much as double the long-term average, while price supports held prices near last year's level. Cattlemen benefited from some of the best range in recent years, ample supplies of winter feed, and cattle prices well above last year. Their biggest problem was to strike a balance between holding back cattle for restocking and cashing in on the strong demand for feeder and breeding stock.

In many of the Western States, gross farm income will be the highest since 1952. Farmers and ranchers can be expected to use these larger incomes in three main ways. For some, it presents the first opportunity in several years to pay off debts that had accumulated in previous drought years and to replenish depleted cash reserves and equipment. To others, for whom this is the second or third good year in a row, it is the signal to expand their scale of operations to assure larger and more efficient production in the future. Several lenders reported an increase in the demand for loans for expansion by commercial farmers in both the ranch and the crop areas. Most farmers and ranchers will spend a part of their larger incomes to improve their levels of family living, as they have done for a number of years.

7/ For this report, the following States are included in the Western region: Northern Plains States - North Dakota, South Dakota, Nebraska, Kansas; Mountain States - Montana, Idaho, Wyoming, Colorado, New Mexico, Arizona, Utah and Nevada; and Pacific States - Washington, Oregon, and California.

Even in a year as favorable as 1958, some farmers find that they are standing still or slipping behind in the competitive race for a share of total income. Frequently, these are farmers whose farms are too small to permit them to compete with the more efficient producers, who lack managerial ability, or who are not willing to take the risks necessary to move ahead. Use of more credit, even if it were as readily available as it is to commercial farmers, would only partially solve the basic problem.

Although there are fewer operators in these general circumstances in the West than in other parts of the country, they have probably fared no better this year than in other recent years. Part-time and off-farm work, when available, is one solution, as is withdrawal from agriculture. Both routes continue to be taken, thus freeing equipment and land for farmers who wish to expand.

Incomes for 1958 were especially favorable in the Northern Plains States, although summer and fall droughts in parts of North Dakota limited the gains there to less than those for the States farther south. Kansas wheat farmers will benefit from one of the best wheat crops in years; yields of grain sorghums were two-thirds above those of last year, and pasture conditions were the best in years. Yields of corn and sorghum in Nebraska were sharply higher than last year, and ample feed for cattle operations is assured.

A special survey in Ness County, Kans., which is representative of the winter wheat area, indicated that a majority of farmers there were in a generally stronger financial position in 1958 than in 1957. This is the first year in several that a majority of farmers will have cash left over for savings or investment after paying current operating expenses and clearing up old debts. A wheat crop 58 percent above the 1945-54 average, plentiful supplies of feed crops, and ample grazing have permitted substantial recovery from the several drought years that preceded 1958.

Most farmers have been able both to clear up old debts and to meet their installment payments on time. Some will defer sales of crops until 1959 for tax reasons. The total amount of credit used for the year will probably be greater than the amount used in 1957, because of larger expenses and the desire to rebuild cattle herds, replace worn-out machinery, and catch up on delayed building repairs and improvements. With more favorable income prospects, ample credit has been available; interest rates are about the same as in 1957.

Operators of small farms, especially young farmers with relatively heavy debts, still have difficulties. Many of these operators had little or no reserves to carry them through the drought, and they supplemented their incomes by off-farm jobs or custom work. Although the 1958 season will help their position substantially, several additional good years will be necessary to build up their scale of operations and reserves to safe levels.

Wheat prospects for 1959 were generally favorable this fall. Most of the acreage was planted on summer-fallowed land and subsoil moisture was good.

However, adequate moisture to alleviate dry surface conditions at planting time was still necessary to assure a good crop. Future livestock prices is the second key to the 1959 outlook.

Spring wheat-flax farmers in McLean County, N. Dak., were found to be somewhat better off financially than they were a year ago. The major contributing factor has been three good crops in a row, although crop prices this year were below those of 1957. However, with higher cattle prices, farmers who have feeder calves and long yearlings to sell are in better position than they were last year. Short feed supplies for some stockmen may temper this prospect by next spring. The financial position and outlook for farmers who produce milk for fluid use remains about the same, as prices and production of milk have held relatively stable.

Farmers and stockmen experienced an erratic crop season this year. Crops seeded early yielded well, but late plantings were poor. Wheat yields were 50 to 60 percent above the long-time average, and early flax turned out well. Production of hay and forage crops was reduced by a dry spring and almost continuous drought from mid-July to the first killing frost. Only timely rains in June, and ample carryover moisture from the previous fall, averted a disastrous crop season.

No clearly discernible changes in the use of credit or in farmers' expenditures in 1958 were found in McLean County. Longer term trends toward more commercialized operations, with its resulting demands for more credit to finance a larger volume of production, are probably of more importance than year-to-year changes. For some operators, 3 good years may have broken down some of the natural resistance to debt that is traditional in a high-risk farming area. Intensive campaigns on the part of local merchants and dealers who handle farm supplies to encourage the purchase of their products on credit probably have helped also.

Wider use of conditional sales contracts for purchasing farm machinery and motor vehicles has become possible with the expansion of discounting facilities for dealers in recent years. In providing intermediate-term loans of 2 to 4 years during the last 3 years, the production credit association has also facilitated the purchase of machinery by farmers. More recently, it has made arrangements with local cooperatives to provide financing in the sale of farm supplies, particularly petroleum products, to farmers. This new program is said to have increased its volume of loan business appreciably. One of the three local banks in the county has also stepped up its volume of farm loans by decreasing collateral requirements, providing discount facilities for machinery contracts, more actively seeking livestock loans, and liberalizing its policies with respect to loan renewals and extensions.

The supply and availability of funds appears to be less favorable for long-term financing than for short- and intermediate-term loans. Commercial banks make relatively few mortgage loans, and life insurance companies do not operate farm-loan programs in this part of North Dakota. Land sellers and the Farmers Home Administration are the chief sources of real estate credit. Recently liberalized loan standards of the Federal land bank may increase its volume of business.

In general, lenders reported good repayment experience on loans in 1958, and carryovers and delinquencies are expected to be less this year than last. There have been few foreclosures, and only a few instances in which dealers found it necessary to take back tractors and farm equipment because of default of sales contracts.

For the second year in a row, cattle ranchers in the Nebraska Sand Hills have had excellent range and feed conditions and favorable cattle prices. A survey of ranchers in Cherry County, Nebr., found that a \$6- to \$10-per-cwt increase in the price of cattle, together with the best hay and pasture conditions that any of the "old timers" could remember, would more than offset higher operating expenses. As ranchers in this county have not been forced to cut down on cow herds because of past droughts, they are in an excellent position to profit from the favorable 1958 cattle prices. Ample feed in 1957 and good cattle prices enabled ranchers to carry over more calves to be sold as yearling heifers and 2-year old steers than normal. The feed and price situation in 1958 will make it possible to carry over an even larger number of calves and yearlings for sale in 1959.

The general picture presented for Cherry County is probably somewhat more favorable than that for other Sand Hills counties. This is true chiefly because of the exceptional hay and pasture conditions that have prevailed in this county for several years. Other nearby counties having essentially the same types of cattle operations have not been so fortunate.

The credit situation in Cherry County is excellent. Merchants and dealers extended about the same amount of open-account credit as they did last year. Collections are very good; for the most part losses are non-existent. The supply of credit remains ample, and none of the merchants interviewed see any reason for limiting the amount of credit they will extend in 1959.

All lending agencies reported an increase in size of individual loans. Operating loans were larger this year because of a longer haying season and higher prices. Although fewer real estate loans were made this year because of fewer consolidations of holdings, the loans made were for larger amounts because of higher land prices and a general willingness of both lenders and borrowers to make and assume larger loans.

Purchases by ranchers for most items except feed ranged from 10 to 40 percent above those of 1957. Sales of feed were down 10 to 15 percent. The greatest increases in sales to ranchers occurred in building materials, automobiles, trucks, and tractors and machinery. There was little evidence that ranchers were delaying such purchases to 1959.

With the majority of the ranches well stocked and equipped, the favorable incomes expected for 1959 may not result in as large purchases of equipment and supplies as in 1958.

The higher cattle prices and good range condition of 1958 will improve the financial condition of most farmers and ranchers in the Mountain States. Farmers in irrigated areas continue to face higher production costs but have only limited opportunities to expand output. Consequently, they show less improvement in 1958 than do ranchers. Although yields of dryland crops, such as wheat and sorghum, were good, they were not up as much from last year as they were in the Plains States. Dry weather in northeastern Montana cut the wheat crop and sharply reduced fall grazing. Prolonged dry weather dimmed prospects for the 1959 wheat crop in the eastern half of that State, as well as in Wyoming and parts of Colorado and Idaho.

Both ranchers and wheat growers in Custer County, Mont. had a good year. Although early-season prospects were not too favorable, June rains restored the range and both cattle and sheep made good gains. Lamb weights were unusually high. Dryland wheat farmers had good crops, which more than offset lower prices. Although production expenses were a little higher, good prices and a larger volume of sales will make 1958 one of the better years for this county.

Not as much credit will be needed or used in Custer County this year. Commercial banks see good prospects for repayment of their production loans. The production credit association reported some decline in volume of loans, although the average amount per loan is probably increasing because of larger operating units. The only renewals of loans reported were to sheep ranchers who have not yet sold their 1958 clip. In general, credit is adequate and lenders are confident that outstanding loans are sound.

Some ranchers went ahead with delayed building repairs and mainteence when the June rains brightened range prospects. Since then, expenditures have been well above normal; they will probably average about 15 percent above last year. Some increase in fencing sheep range was apparent.

Irrigation farmers, mainly beet growers, will not have as marked an improvement in their financial condition this year as will ranchers. It will be a normal year for most of them, with little change in their use of or need for credit. Because most of their production does not depend on weather, they do not have the ups and downs that ranchers and dryland farmers have.

Irrigation farmers in Canyon County, Idaho, are in better financial position than they were last year. Those who feed cattle benefited from a combination of low feed prices and a strong cattle market, while yields and prices for most of the specialty crops grown in the county were generally good. Low prices for potatoes this year were cushioned somewhat by increased returns from other crops. Sugar beets are expected to yield about 25 tons per acre and, with prices at the 1957 level, beet growers will be better off financially.

Both fruit yields and prices received for fruit were generally good, with prices for prunes exceptionally favorable. Income from onions, vegetable seeds, alfalfa and clover seeds, and mint was high. Yields of hops were better than usual, and a stronger export demand pushed prices up appreciably above those of last year.

Farmers' total costs are up this year, with the greatest rise occurring in living and current operating expenses. Dealer sales of machinery parts are up but receipts of dealers from labor charges are down, indicating greater machinery repair by farmers. Equipment loans are smaller this year but dealers report greater sales of equipment. A larger percentage of equipment purchases have been cash transactions.

The amount of farm loans was higher this year than last because of higher operating costs and higher prices for cattle purchased to take advantage of the abundant low-cost feed. Hop growers have needed larger loans because of the high cost of expansion of hop production. Most lenders made more and larger loans this year than last, except the Farmers Home Administration which increased its loan volume but made fewer loans. Farm-improvement loans also were larger this year than last because of an increase in construction and repair of farm buildings and fences.

Lenders are expecting to carry over about the same proportion of their loans as last year. Savings of farmers are about the same as those of last year, although some have used their bank reserves to buy land and livestock. Others have cashed savings bonds to take advantage of higher interest rates from other investments.

Larger cattle inventories and better winter feed prospects in Guadalupe County, N. Mex., will place ranchers in a substantially better financial position in 1959, even though cash income this year may be about the same as in 1957 or a little lower.

Range conditions began to recover in 1957 from several years of drought and continued to improve in 1958. However, much of the abundant growth this year was made up of annual grasses and weeds, which have little feed value after frosts. This situation will place heavy demands on winter feed supplies, especially in view of the substantial increase in cattle numbers.

Although cattle prices are well above a year ago and calf weights are higher, carryover of heifer calves for restocking and replacement and reduced culling of cows will limit sales of many ranchers this year. Even so, commercial operators have had little difficulty in obtaining credit and in meeting their financial obligations, or in making satisfactory arrangements to carry over debts until cattle are sold. Commercial lenders appear to have eased their credit policies somewhat this year, and ranchers are a little less reluctant to incur debts.

Expenditures for repairs, maintenance, and improvements to fences, buildings, and wells increased in 1958. Cash operating expenses were probably lower because less feed had to be purchased. Little change was noted in outlays for family and household expenses, with the possible exception of increased expenditures for automobiles.

Operators of most types of farms in New Mexico are in an improved financial position this year. Wheat yields in the eastern part of the State were the best in several years and fall plantings are in good stand. Prospects for cotton farmers are less favorable because heavy rains delayed harvest. Although the quality of the crop will be lower than was expected earlier in the season, higher yields and prices should offset grade losses to a considerable extent.

Changes in the financial condition of farmers in the Pacific Coast States appear to be as varied as the enterprises that are found in these States. As in the Mountain and Plains States, cattle ranchers in general were considerably better off than a year ago. Dairy farmers who produce factory milk, and potato, vegetable, cranberry, and apple growers will probably be in a poorer position this year than last. The financial position of most other types of farmers will probably be about the same. Both weather and prices have contributed to these variations. The area in Oregon and Washington lying west of the Cascade Mountains had a very dry summer, which hurt pastures and affected crop yields. Pasture conditions in much of the rest of Washington also had deteriorated by October 1.

Production of most fruits in Washington and Oregon in 1958 was below that of last year, but prices were about the same. The Washington cherry crop, although large, was damaged by heavy rains, which reduced marketings and returns and created credit problems for growers. Prospects for the 1958 orange crop in California were substantially better than the short 1957 crop. Production of grapes is higher than last year, but prices are still to be determined.

Linn County, Oreg., is fairly representative of the diversified farming areas of western Oregon and Washington. Dairy, poultry, and several specialty crops, notably rye grass seed, are important enterprises on most farms, and prices and production for each vary appreciably from year to year. A substantial improvement in prices of rye grass seed is probably the most significant change from last year. About 45 percent of the cropland in the county is devoted to this crop, and prices were about double those of last year. Lower yields will partly offset the price advantage, but stocks have been reduced and good demand for several field seeds is anticipated in 1959 because of the Conservation Reserve Program.

Most livestock prices were higher in 1958 than in the preceding year, and feed prices have remained about the same or a little lower. Dairymen in Linn County have continued to increase production, despite a 4-percent decline in the price of whole milk. Income from poultry is better than that of last year, as higher prices for eggs have more than offset lower prices for broilers. Fruit and vegetable producers are in about the same overall position as a year ago.

Lenders reported about a 10-percent increase in loans this year, and about a normal carryover of loans from 1957. Adequate credit has been available this year, and lenders expressed willingness to increase farm loans next year.

Farmers in Linn County maintained their expenditures for buildings and new equipment in 1958, with purchases of equipment a little higher than last year. The financial position of most of the larger scale farmers probably improved a little this year and remains sound. Smaller farmers are continuing to have difficulties because of higher production costs and small volume of business.

Madera County was surveyed as a sample of the varied crop and income pattern of an irrigated part of the San Joaquin Valley of California. Cotton, grapes, cattle, and dairying are major enterprises in this county, and each has its own cost, price, and production patterns as well as credit requirements. Although harvest of grapes and cotton had not been completed by early October, prospects were for good crops that would push gross income above last year. Yields and quality of dryland grain crops were below those of last year, while prices and yields of corn were about the same. Deciduous fruit growers had generally lower returns than they had last year.

Beef cattle producers were found to be in a generally favorable position because of better prices and lower feed costs. Although higher costs for replacements of feeder stock will reduce margins later, some feeders anticipated the rise and bought cattle early in the season. Dairy farmers producing Grade B milk were less fortunate. They have faced steadily rising costs and have attempted to maintain gross income by increasing the size of their herds.

The credit situation for most commercial farmers in this county is generally favorable. These farmers have been able to obtain reasonable amounts of credit, and lenders saw no reasons for curtailment in the near future. Reports from lenders showed that both number of loans and amount per loan were larger than in 1957. Some of these new loans were obtained to finance expansion of present farm operations or to add new enterprises. In other instances, a larger volume of production this year, together with higher expenses to control insects and plant diseases, required more production credit.

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